SMK SPEEDY INTERNATIONAL INC.

2002

ANNUAL REPORT

Speedy
auto service

INDEX

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of
SMK Speedy International Inc. will be held in the
Toronto Hilton Hotel
Governor General Parlour
145 Richmond Street West
Toronto, Ontario
Wednesday, June 25, 2003
at the hour of 3:00 o'clock in the afternoon (EST)

OVERVIEW

- In July 2002, sold Car-X operations for US$28 million and a net gain of Cdn$8.5 million.
- Stronger balance sheet at year end, including $38 million cash.
- Canadian same store sales were down 2.5%. Excluding exhaust sales, same store sales were up 2.6%.
- 2003 focus is to continue to maximize shareholder value.

Financial Highlights
(In thousands of dollars, except per share amounts)

	Year ended	
	December 28, 2002	**December 29, 2001**
Revenues	**$ 95,941**	$ 101,327
Loss (income) before restructuring costs, depreciations and amortization, interest and income taxes	**(2,560)**	(63)
Operating loss	**(2,821)**	(1,641)
Gain on sale of Car-X operations, net of tax	**8,484**	–
Income(loss) for the year	**5,015**	(2,345)
Income(loss) per share	**$ 0.39**	$ (0.18)
Cash flow provided for (used in) continuing operations	**$ 2,674**	$ (2,913)
Cash and cash equivalents	**$ 38,000**	$ 12,407
Shareholders' equity	**$ 90,432**	$ 86,111

SERVICES OFFERED BY SPEEDY AUTO SERVICE

SMK Speedy International Inc. is a leading automobile service specialist with 130 stores in Canada which specialize in no-appointment, while-you-wait service for brakes, exhaust, oil change services, maintenance, road handling, steering systems and tires for all makes of cars and light trucks.

CORE SERVICES

BRAKES

Millions of customers have had their brakes serviced by our trained technicians. Service is offered on all drum and disc brakes, including ABS (Anti-Lock Brake System). The Company installs only *D3EA (*Dual Dynamometer Differential Effectiveness Analysis) approved professional grade brake pads and shoes that meet original equipment standards, with a lifetime warranty.

EXHAUST

The Company has been recognized as an industry leader in exhaust replacement for over 45 years. Service includes the installation of catalytic converters, resonators, mufflers, pipes and exhaust tips. Exhaust emissions testing is available in Ontario in select stores in the Greater Toronto Area and in London.

SUSPENSION

Top quality shocks, struts and springs allow for better road handling and a safer, more stable ride. They are available for most cars, vans and light trucks.

NON-CORE SERVICES

OIL, LUBE & FILTER/MAINTENANCE

Regular maintenance and oil, lube and filter service can keep repair bills lower, improve fuel economy, reduce harmful emissions and extend the life of vehicles. The Company has several preventive maintenance packages available and provides regular scheduled maintenance as recommended by the vehicle's manufacturer. Items that are checked include air filters, batteries, wiper blades, belts, hoses and light bulbs.

TIRE REPLACEMENT AND REPAIR

A range of quality name brand tires offers superior handling and traction in wet, dry and snow conditions.

WHEEL ALIGNMENT

Optimum wheel alignment is achieved with modern technology, using computerized optical sensors. Road handling and driving comfort is maintained.

FRONT END AND STEERING

Service is offered for most steering systems to improve directional stability and prolong tire life. Services include stabilizer bars, ball joints, tie rod ends, CV joints and other related parts.

PERFORMANCE PRODUCTS

Performance products are available for the car, van or light truck enthusiast. Products offered include stainless steel exhaust systems, performance brake products, tires, suspension, alloy wheels and stainless steel exhaust tips.

OTHER MECHANICAL, ELECTRICAL AND DIAGNOSTIC SERVICES

All locations provide general automotive repair work such as water pumps, alternators, cooling systems and regulators. Air-conditioning service is offered at selected locations.

LETTER TO SHAREHOLDERS

In 2002, the Company continued to focus on building shareholder value while looking for opportunities to maximize revenues and cost efficiencies to improve performance. The Company strengthened its balance sheet. Cash at year-end increased to $38 million and shareholders' equity was $90 million.

On July 7, 2002, the Company completed the sale of its Car-X business to Tuffy Associates Corporation of Toledo, Ohio. The Car-X business sold consisted of substantially all of the operating assets of both Car-X Service Systems Inc. ("CSSI"), a franchisor of 185 automotive repair stores in the United States, and all but 12 of the stores of Discoverer Services Inc. ("DSI") which operated 50 of the 185 CSSI franchised stores. The total proceeds on the sale were US$28 million. Of the total proceeds, US$18.5 million was received in cash, US$9 million of promissory notes were issued and US$500,000 of the proceeds will be held in escrow for two years to fund potential liabilities. In addition, the purchaser assumed approximately US$1.3 million of operating liabilities. The after tax gain on the sale was $8.5 million. The Company also received US$2 million for consulting services which was paid at closing and reported as income in 2002. The 12 DSI stores were closed in 2002 and the remaining related real estate is currently being sold.

The Company now has all of its operations in Canada where Speedy opened its first store in 1956. During 2002, the Company opened two new stores and closed five stores, leaving 130 stores at year-end. Over 60% of the stores operate from owned sites. The Company continually evaluates its store network to maximize value and operating profits.

Conditions in the automotive aftermarket were again very weak in 2002. Market conditions continue to be impacted by many factors including a further decline in the exhaust business, improvements in automobile quality, the changing sales mix and the challenge to be profitable in a very competitive market.

Same store sales decreased by 2.5% in fiscal 2002. Excluding the continuing decline in the exhaust business, same store sales improved by 2.6%, reflecting the significant growth in tires, maintenance and general repair which partially offset the decline in the core businesses. The operating loss for the year increased by $1.2 million to $2.8 million due to the lower sales and administrative costs previously absorbed by the operations of Car-X, which were only partially offset by lower advertising and reduced administrative and store costs. The Company emphasis on non-core products, combined with higher new car sales in recent years, will create more opportunities for revenue and profit improvement in the future. Income for the year 2002 was $5.0 million, including the gain on sale of Car-X, compared to a loss of $2.3 million in 2001.

The Company has significantly more cash as a result of the Car-X sale. The Board of Directors and Management will explore all options available for the use of the cash that is consistent with the strategy of enhancing shareholder value.

The Company has achieved much in the last few years in building shareholder value in an industry that is struggling. The improvements reflect the successful implementation of the long-term strategy developed by the Board and management. The Speedy team is dedicated to providing outstanding service and to giving real meaning to "At Speedy You're A Somebody". This philosophy and commitment, which is embodied in Speedy's operations, starts with Speedy's people and continues to apply to every customer, every time. Speedy has maintained a strong and well recognized brand in Canada and excellent people. The Management, the Board and the entire Speedy team will continue the strategy of maximizing value for the shareholders.

MARTIN GOLDFARB
Chairman of the Board

BRYAN H. HELD
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Context

The strategy of the Company continues to be building shareholder value. With the completion of the sale of the Car-X operations, the Company now operates only in Canada. The Company's key strengths are an excellent brand, good locations across Canada and experienced staff.

The Company continues to focus on controlling costs and improving performance to increase shareholder value. In 2002, the Company implemented a vehicle diagnostic software system in many stores in Canada. Management believes this software will continue to increase efficiency in diagnosing vehicle problems, grow the new product lines and enable the Company to better serve its customers. Due to the increased focus on these areas, there was a significant growth in non-core product lines, including front-end, tires, oil, lube and filter, maintenance and other services.

The sale of the Car-X operations was completed on July 7, 2002. The proceeds from this transaction have been invested to earn income, while the Company and the Board of Directors review all options for the application of any surplus funds.

Given that the sale of Car-X was completed July 7, 2002, the following discussions will be on the performance of the Company's continuing operations.

Store Network

The Company continues to monitor its store network, focusing on strong markets, while reviewing the available options for less profitable stores. Of the total 136 stores at year-end, 129 are company operated and one is franchised in Canada and six operate under a licensing agreement in Korea.

During 2002, five company-operated stores were closed and two company-operated stores were opened in Canada. In early 2002, the Company signed a new licensing agreement with Speedy Korea, which consists of nine stores. During 2002, three licensed stores were closed in Korea.

2002 Compared with 2001

Revenues in 2002 were $95.9 million, down $5.4 million, or 5.3% from the $101.3 million in 2001. Same store sales were down 2.5%. Excluding exhaust sales, same sale store sales were up 2.6%. Growth in sales of other products continues to improve, but not sufficiently to offset the decline in revenues of exhaust and brake products. The average same store revenue per job increased in 2002 in all product lines except for front-end, however there was a decrease of 1.5% in overall revenues as a result of changes in the sales mix.

Loss Before Unusual Items, Depreciation, Amortization, Interest and Income Taxes

Loss before unusual items, depreciation, amortization, interest and income taxes (EBITDA loss before unusual items) was $2.6 million in 2002 compared to a loss of $0.1 million in 2001. The $2.5 million decrease in income reflects a combination of lower revenues and gross margin, and administrative overhead of $1.1 million previously absorbed by the operations of Car-X, partially offset by lower energy costs, store costs, advertising expenditures and training.

Receipt of Escrow

In the third and fourth quarters of 2001, the Company received US$1.8 million relating to funds that were held in escrow from the sale of Speedy USA. Related charges and accruals of Cdn$0.6 million were recorded for a net gain of Cdn$2.3 million.

Income from Consulting Services

The Company received from the purchasers of the Car-X operations, $3.0 million for consulting services over the last two quarters of 2002 which has been recognized as income in 2002.

Depreciation and Amortization

Depreciation and amortization was $3.3 million in 2002, compared with $3.9 million in 2001, which reflects assets becoming fully depreciated in the year.

Interest Income

Interest income in 2002 of $0.8 million has increased in comparison to $0.5 million recorded in 2001. The increase was due to interest earned from the notes receivable related to the Car-X sale ($0.5 million) and income from investment of cash balances from the receipt of proceeds from the sale, offset by lower interest rates.

Sale of Car-X Operations (Sale of Car-X)

On July 7, 2002, the Company completed the sale of substantially all of the company operated and franchise stores operating under the Car-X brand in the United States for gross proceeds of US$28.0 million and US$2.0 million for consulting services (as discussed above). The proceeds consisted of US$18.5 million in cash and US$9.0 million in notes receivable. An additional US$0.5 million was placed in escrow for two years to fund potential environmental liabilities and will be recognized as income if, and when, received. The buyer assumed approximately US$1.3 million of operating liabilities.

The Company has estimated a realized pre-tax gain of $14.4 million. The net gain of $8.5 million is net of state taxes of $1.4 million and a future tax expense of $4.6 million to recognize income tax losses previously recorded that will be utilized.

Income Taxes

The income tax expense of $0.8 million includes a valuation allowance on future tax assets offset by the recognition of U.S. income tax losses not previously recognized.

Net Income (loss)

Net income of $5.0 million, or $0.39 per share, in 2002 increased from a net loss of $2.3 million, or $0.18 per share in 2001. Excluding the unusual items (noted in (2) of Financial Highlights below), the net loss was $6.5 million in 2002 compared to a loss of $4.6 million in 2001.

Financial Highlights

The following highlights present the performance of the operations compared to 2001:

	2002	2001
	($ millions)	
Revenues	$95.9	$101.3
EBITDA[(1)(2)]	(2.6)	(0.1)
Operating Loss[(2)]	(5.9)	(3.9)
Total Assets[(3)]	102.3	71.9

(1) *EBITDA represents income before interest expense, income taxes, depreciation and amortization. EBITDA is included herein because management believes that certain investors will find it to be a useful tool for measuring the Company's performance; however, EBITDA does not represent cash flow from operations, as defined by GAAP, and should not be considered as a substitute for net earnings as an indicator of the Company's performance or cash flow as a measure of liquidity.*

(2) *EBITDA and Operating Loss from continuing operations are presented before consulting income, gain on sale of the Car-X operations and the receipt of the escrow.*

(3) *Total Assets includes $29.1 million of cash and $14.1 million of note receivables from the sale of the Car-X operations and exclude inter-company balances.*

Future Income Taxes

At the end of 2002, the Company had approximately $29.9 million of available income tax loss carry forwards in Canada and $5.4 million in the United States. Future income tax assets related to the tax loss carry forwards have been recorded net of a valuation allowance.

Liquidity and Capital Resources

The Company's liquidity needs arise from working capital requirements, capital expenditures for maintenance, equipment programs, and new stores and interest and debt obligations, if they exist. At December 28, 2002, the Company had net working capital of $40.7 million compared to $16.8 million at December 29, 2001. The improvement was primarily due to the receipt of proceeds from the sale of the Car-X operations, decreases in inventories, prepaid expenses, current future income taxes and accounts payable and accruals.

In 2000, the Company signed a new bank agreement with its principal bank, designed to afford the Company flexibility in its borrowing requirements. The facility was extended to September 19, 2003 and is extendible for a further term of 364 days. The availability under the credit facility was $5.9 million at year-end. The agreement has no restrictive financial covenants and the borrowings are secured by the Company's inventory, accounts receivable, and certain properties. There were no outstanding borrowings under this facility at year-end.

Other capital expenditures of $2.0 million in 2002 compared to $2.9 million in 2001. Two new stores were opened each in 2002 and 2001, with higher expenditures incurred for equipment in 2001.

Cash flow provided by continuing operations was an inflow of $2.7 million, compared with an outflow of $2.9 million in 2001. For the year ended December 28, 2002, cash flow used for continuing operating activities, prior to working capital changes, was an inflow of $1.5 million compared to an inflow of $3.7 million in 2001. Changes in non-cash working capital balances were a positive $1.2 million compared to a negative $6.6 million in 2001. This change was a result of a reduction in inventories in 2002 compared to a significant reduction in accounts payable and accruals and an increase in inventories in 2001.

Cash flow provided by investing activities in 2002 of $27.9 million, excluding changes in discontinued operations, include $29.1 million of cash proceeds from the sale of the Car-X operations. In addition, the Company received $14.1 million (US$9.0 million) of promissory notes related to the Car-X sale and incurred capital expenditures of $2.0 million and received proceeds on disposal of fixed assets of $0.5 million. This compares to a cash flow used for investing activities in 2001 of $2.4 million, excluding changes in discontinued operations, which represented primarily capital expenditures.

Minimal cash was provided by financing activities in 2002 compared to $0.4 million used in 2001, mainly for the redemption of the remaining senior notes.

Fourth Quarter 2002 Compared with Fourth Quarter 2001

Revenues in the fourth quarter 2002 were $22.9 million, down $1.2 million, or 5.0% from the $24.1 million in the fourth quarter of 2001. Same store sales were down 2.8%. Growth in sales of non-core products were not sufficient to offset declines in exhaust and brakes. Total same store units, for all products sold, increased by 1.6%. Excluding exhaust sales, same store sales were up 3.2% for the quarter.

Income (Loss) Before Unusual Items, Depreciation, Amortization, Interest and Income Taxes

Loss before unusual items, depreciation, amortization, interest and income taxes (EBITDA loss before unusual items) was $1.3 million in the fourth quarter of 2002 compared to income of $1.0 million in the fourth quarter of 2001. The $2.3 million decline was mainly attributable to lower revenues and gross margins, and administrative overhead of $0.5 million previously absorbed by the operations of Car-X that were sold.

Depreciation and Amortization

Depreciation and amortization was $0.8 million in the fourth quarter of 2002, compared with $0.9 million in the fourth quarter of 2001.

Interest Income

Interest income in the fourth quarter of 2002 of $0.5 million includes income from the notes receivables related to the Car-X sale ($0.2 million) and income from the investment of cash balances from the receipt of proceeds from the sale. This compared to interest income of $0.1 million in the fourth quarter of 2001.

Income Taxes

The income tax expense of $1.3 million includes a valuation allowance on Canadian future tax assets offset by the recognition of U.S. income tax losses not previously recognized.

Net Loss

The net loss of $1.8 million or $0.14 per share in the fourth quarter of 2002 has increased slightly in comparison to the net loss of $1.6 million or $0.13 per share in the fourth quarter of 2001. Excluding the unusual items, the net loss was $3.1 million, compared to a net loss of $1.8 million in 2001.

Financial Data For the Last Eight Quarters (for continuing operations):

Quarter ended[1]	Revenues	Net Income (Loss)	Earnings (Loss) per share
2002[2]:			
December 28, 2002	$22.9	$(1.8)	$(0.14)
September 28, 2002	$25.2	$ 8.8	$ 0.67
June 29, 2002	$26.8	$ 0.4	$ 0.03
March 30, 2002	$21.0	$(2.4)	$(0.18)
2001:			
December 29, 2001	$24.1	$(1.6)	$(0.13)
September 29, 2001	$26.5	$ 2.3	$ 0.18
June 30, 2001	$28.4	$(0.2)	$(0.02)
March 31, 2001	$22.3	$(2.8)	$(0.22)

(1) The Company's accounting periods end on the Saturday closest to the end of the period.

(2) Certain balances in prior quarters in 2002 have been reclassified to conform with the presentation adopted in the third quarter of 2002.

Financial Highlights Fourth Quarter

The following highlights present the performance of the fourth quarter operations compared to 2001:

	2002	2001
	($ millions)	
Revenues	$22.9	$24.1
EBITDA[1][2]	(1.3)	1.0
Operating (Loss)/Income[2]	(2.1)	0.1
Total Assets[3]	102.3	71.9

(1) EBITDA represents income before interest expense, income taxes, depreciation and amortization. EBITDA is included herein because management believes that certain investors will find it to be a useful tool for measuring the Company's performance; however, EBITDA does not represent cash flow from operations, as defined by GAAP, and should not be considered as a substitute for net earnings as an indicator of the Company's performance or cash flow as a measure of liquidity.

(2) EBITDA and Operating Income (Loss) from continuing operations are presented before consulting income, gain on the sale of the Car-X operations and the receipt of the escrow.

(3) *Total Assets includes $29.1 million of cash and $14.1 million of note receivables from the sale of the Car-X operations and exclude inter-company balances.*

Liquidity and Capital Resources – Fourth Quarter

Capital expenditures totaled $0.3 million for the fourth quarter compared to $0.1 million for the fourth quarter in 2001.

Cash flow provided by continuing operations for the fourth quarter was an inflow of $0.6 million, compared with an outflow of $1.9 million in the fourth quarter of 2001. For the quarter ended December 28, 2002, cash flow provided by continuing operating activities, prior to working capital changes, was an inflow of $0.9 million compared to an inflow of $2.8 million the same quarter in 2001. Changes in non-cash working capital balances were negative $0.2 million compared to a negative $4.4 million in the fourth quarter of 2001. The improvement of $4.2 million was mainly due to a lower reduction in accounts payable and accruals than in 2001 and decreases in inventories in 2002.

Cash flow provided by investing activities in the fourth quarter of 2002 of $0.2 million excluding changes in discontinued operations and capital expenditures was almost flat to 2001.

Minimal cash provided by financing activities in 2002 compared to $0.3 million used in 2001, for the redemption of the senior notes offset in part by a decrease in capital lease obligations.

Risks and Risk Management

The Company is subject to various risks including the following:

1) Competitive
2) Technological
3) Expansion
4) Foreign exchange
5) Interest rate
6) Environmental
7) Consumer protection
8) Supplier

The Company monitors certain legislative and economic trends that could potentially have an impact on its operations. The Company is vulnerable to adverse general economic conditions in the markets in which it operates. Management seeks to minimize the risks associated with these factors through planning and regular reviews of operations as well as through product diversification.

1) Competitive Risk

The Company operates in the highly competitive retail automotive service industry. Levels of competition vary in different geographic regions. The Company competes with other similar automotive service chains, automobile dealers' service operations, local repair garages and merchandisers with service bays offering services similar to Speedy's. Other major chains specialize in similar services. There are also many smaller regional chains competing for market share. All remain aggressive in trying to build consumer awareness levels in many ways, including by expanding their network and through advertising and promotions. Many of these chains, including Speedy, have also diversified their product offerings, and this is expected to continue.

Automobile dealers continue to be more aggressive in trying to attract customers to their service bays. Many have set up "quick service" bays and are extending their hours of operation to be more customer-friendly. In addition, the use of longer term more attractive warranty packages on new vehicles by original dealers and on used vehicles by used car dealers and used car stores result in consumers being more likely to have their automobiles serviced at such locations for a longer portion of the vehicle's service life. This may reduce service opportunities for the specialists and other competitors.

In addition, certain automotive parts merchandisers are creating automotive repair centres by adding service bay capability to complement their traditional parts sales business. This trend will likely continue in the future.

2) Technological Risk

The automotive industry continuously incorporates technological advances into the development and construction of new vehicles to achieve cost efficiencies while improving vehicle performance, reliability and safety. Several developments illustrate the influence that technological advances have had on the automotive aftermarket repair industry. These developments include the introduction of stainless steel exhaust systems and the evolution of anti-lock brakes systems (ABS) and increased computerization and the continuing development of on-board diagnostics (OBD).

The impact of stainless steel exhaust systems on revenues has been significant in the past. Stainless steel systems, which are longer-lasting than traditional exhaust systems, are now installed on virtually all new vehicles. The demand for exhaust replacement is expected to continue to decline for two to three more years, as projected by major suppliers. On a same store basis, approximately 33% of the revenues from company operated stores was derived from the sale and service of exhaust systems in 2002 compared to 37% in 2001.

The increase in the use of ABS has affected the brake repair industry. Automobile manufactures have responded to consumer demands by making ABS available in many new car models. These systems are more technically demanding and, to compete, it is necessary to invest in equipment, systems and staff training. There can be no assurance that the Company will be able to respond effectively to similar technological advancements in the automotive industry in the future, which could have an adverse impact on the Company's operations.

3) Expansion Risk

The Company expands its store network through internal growth and, if attractive opportunities arise, store acquisitions. Profitability is negatively affected during a period of expansion, as new stores generally do not break even in the year of opening and take several years to mature, even when opened in existing markets. The period of time for profitability to occur can take longer in new markets. Trends in municipal regulations in many jurisdictions have made the process of securing permits and zoning for new stores more difficult and time consuming, affecting the rate of new store openings.

The Company manages these risks by planning initiatives into new markets carefully, after completion of market studies and consumer research. Experienced staff from other areas can be drawn on during the start up phase, to help ensure success. Risks can also be reduced through the use of joint ventures, licensing and franchising.

4) Foreign Exchange Risk

The Company's financial statements are reported in Canadian dollars and are subject to fluctuations in exchange rates of the Canadian dollar with the U.S. dollar. In 2002 approximately one quarter of the Company's revenues and operating loss was denominated in U.S. dollars. After the sale of the Car-X division, the Company's exposure to operations in a foreign currency will be substantially reduced.

5) Interest Rate Risk

In 2001, the Company redeemed the remaining senior notes, substantially eliminating its exposure to interest rate risk. However, there is no guarantee that the Company will not borrow in the future and become exposed to movements in interest rates. The Company follows a policy of viewing financial risk management as a treasury function and has the controls in place to monitor any exposure that may arise.

6) Environmental Risk

Environmental issues are a high Company and public policy priority in all markets in which the Company operates. There are specific issues in the automotive service industry, including the brake, exhaust, tire and oil change service product lines in which the Company has been involved for a number of years. Such environmental issues include the storage and disposal of fluid or solid materials, as well as environmental issues associated with property owned by the Company and property on which the Company has operated its businesses.

The Company has an environmental policy, administered by its Environmental Officer and environmental issues are reported regularly to its Board of Directors. Compliance with safety and environmental standards is primarily the responsibility of the divisional general managers, regional managers and store managers. Moreover, the Company has an internal environmental review system to monitor compliance with such standards. Although there can be no assurance that the Company will not experience significant environmental problems in the future or that the cost of compliance will not substantially increase, to date, the Company has not been subject to any significant environmental litigation or prospect of litigation.

7) Consumer Protection Risk

The automotive repair industry has been the subject of a high level of concern on the part of consumers, who fear being sold products or services that are not required. The issue of credibility in the industry has received considerable attention in recent years, and legislative bodies have considered steps to address it. Although the Company uses industry-wide inspection and repair guidelines to ensure consistency in its practice, there can be no assurance that legislative action or other events will not be taken in the future, which could be detrimental to the Company's operations.

8) Supplier Risk

The Company is a party to a supply agreement with Tenneco Automotive under which, until 2004, the Company is obligated to purchase a substantial majority of its exhaust system products, shock absorbers and struts. The Company's purchases from Tenneco currently meet those required by the supply agreement. If an unanticipated termination of this agreement were to occur, the Company could experience delays and higher costs in the short term and may not be able to purchase product on comparable terms.

Weak aftermarket conditions and the decline in new car production have put pressure on several major manufacturers of parts used by the aftermarket service providers. Several have announced extended layoffs and closing of facilities in an attempt to reduce costs and respond to business conditions. Consequently there is a likelihood of change and consolidation in this sector of the automotive industry, which may affect the availability, distribution and cost of parts.

Outlook

The automotive aftermarket remains very competitive. The improvements in automobile quality, and the continued decline in the exhaust business, have negatively impacted the Company's performance. Emphasis on growth in other product sales is partially offsetting these factors, although other products are less profitable than exhaust products.

There have been some improvements in performance in 2002 in spite of continuing challenges in the automotive aftermarket. Growth in non-core product lines, together with cost containment, have positively impacted results. Included in these non-core products are new services such as air-conditioning, performance products and other customer services provided through the use of vehicle diagnostics software to provide better maintenance information.

The strategy of the Company continues to focus on building shareholder value through improved productivity and achieving value from the sale of assets. The Company will continue to evaluate opportunities to maximize this value. The Company also continues to look for opportunities to maximize revenues and cost efficiencies to improve performance while focusing on providing outstanding customer service to every customer every time.

Note: Certain statements in this Management's Discussion and Analysis are "forward-looking statements" which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Many factors could cause results to differ materially from the results discussed in the forward-looking statements, including risks related to dependence on key suppliers, economic conditions, competition, regulatory change, foreign exchange rates, interest rates, among others. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report, and the Company does not assume any obligation to update or revise them to reflect new events or circumstances.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Preparation of the consolidated financial statements of SMK Speedy International Inc. and the presentation of all other information in this Annual Report is the responsibility of management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. All other financial information in the report is consistent with that contained in the consolidated financial statements.

The Board of Directors, through its Audit Committee, ensures that management fulfils its responsibilities for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that the company's assets are safeguarded and that reliable financial information is produced. The Audit Committee, which is composed of non-employee Directors, meets regularly, and with financial management and internal and external auditors, to satisfy itself that management's responsibilities are being properly discharged. The Audit Committee reports to the Board of Directors for its guidance in considering the consolidated financial statements to be issued to shareholders.

Held

BRYAN H. HELD
President and Chief Executive Officer

Mary Jane Allen

MARY JANE ALLEN
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of
SMK Speedy International Inc.

We have audited the consolidated balance sheets of SMK Speedy International Inc. as at December 28, 2002 and December 29, 2001 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 28, 2002 and December 29, 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

Toronto, Canada
February 21, 2003

CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

	December 28, 2002	December 29, 2001
Assets		
Current assets		
Cash and cash equivalents	$ 38,000	$ 12,407
Accounts and other receivables	1,388	1,375
Inventories	10,224	11,169
Prepaid and other expenses	1,136	1,416
Income taxes recoverable	–	66
Discontinued operations (note 3(b))	744	10,107
Future income taxes (note 9)	915	1,618
	52,407	38,158
Property, plant and equipment (note 5)	31,702	33,607
Other assets (note 6)	194	790
Future income taxes (note 9)	4,601	9,481
Discontinued operations (note 3(b))	3,246	23,072
Notes receivable (note 4)	14,112	–
	$106,262	$105,108
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,920	$ 11,237
Income taxes payable	62	–
Discontinued operations (note 3(b))	4,129	6,739
	15,111	17,976
Discontinued operations (note 3(b))	–	380
Other liabilities	719	641
	15,830	18,997
Shareholders' Equity		
Capital stock (note 8)	55,186	55,149
Retained earnings	30,050	25,035
Cumulative translation adjustment	5,196	5,927
	90,432	86,111
	$106,262	$105,108

Commitments and contingencies (notes 11 and 17)

Approved by the Board

MARTIN GOLDFARB
Director

H. CLIFFORD HATCH, JR.
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(in thousands of Canadian dollars, except per unit amounts)

	Year ended December 28, 2002	Year ended December 29, 2001
Revenues	$ 95,941	$ 101,327
Cost of sales, marketing and administrative expenses	98,501	101,390
Loss before the undernoted items	(2,560)	(63)
Income from consulting services (note 3(c))	3,031	–
Receipt of escrow (note 16)	–	2,281
Depreciation and amortization	3,292	3,859
Operating loss	(2,821)	(1,641)
Interest income, net	814	489
Loss before income taxes	(2,007)	(1,152)
Income tax expense (recovery) (note 9)	773	(147)
Loss for the year from continuing operations	(2,780)	(1,005)
Loss for the year from discontinued operations	(689)	(1,340)
Gain on sale of Car-X operations (note 3(a))	8,484	–
Income (loss) for the year	5,015	(2,345)
Retained earnings, beginning of year	25,035	27,380
Retained earnings, end of year	$ 30,050	$ 25,035
Income (loss) per share	$ 0.39	$ (0.18)
Fully diluted income per share	$ 0.38	$ –
Loss per share from continuing operations	$ (0.21)	$ (0.08)
Loss per share from discontinued operations	$ (0.05)	$ (0.10)
Income per share on sale of Car-X operations	$ 0.65	$ –

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Year ended December 28, 2002	Year ended December 29, 2001
Operating activities		
Income (loss) for the year	$ 5,015	$ (2,345)
Add loss from discontinued operations – net of items not affecting cash	689	1,340
Income (loss) from continuing operations	5,704	(1,005)
Add (deduct) items not involving cash		
Depreciation and amortization	3,292	3,859
Amortization of deferred charges	107	150
Gain on sale of Car-X operations, net of taxes (note 3(a))	(8,484)	–
Future income taxes	805	619
Loss on disposal of property, plant and equipment	98	34
	1,522	3,657
Changes in non-cash working capital balances (note 10(a))	1,152	(6,570)
Cash provided by (used for) operating activities of continuing operations	2,674	(2,913)
Cash (used for) provided by operating activities of discontinued operations	(3,979)	2,255
Cash used for operating activities of all operations	(1,305)	(658)
Investing activities		
Purchase of property, plant and equipment	(2,049)	(2,908)
Proceeds on disposal of property, plant and equipment	515	32
Net cash proceeds on sale of Car-X operations (note 3(a))	29,094	–
Decrease in net assets of discontinued operations	(867)	(1,592)
Other	361	438
Cash provided by (used for) investing activities	27,054	(4,030)
Financing activities		
Issuance (repurchase) of capital stock, net (note 8)	37	(72)
Repayment of long-term debt	–	(491)
Increase in capital lease obligations	–	124
Cash provided by (used for) financing activities	37	(439)
Foreign exchange (loss) gain on cash held in foreign currencies	(193)	563
Increase (decrease) in cash and cash equivalents for the year	25,593	(4,564)
Cash and cash equivalents, beginning of year (note 10(b))	12,407	16,971
Cash and cash equivalents, end of year (note 10(b))	$ 38,000	$ 12,407

(in thousands of Canadian dollars)

1. DESCRIPTION OF BUSINESS

The Company was incorporated on December 1, 1988 and operates automotive service stores in Canada (one of which is a franchise store).

The Company's fiscal year-end date is the Saturday nearest to December 31. The years ended December 29, 2001 and December 28, 2002 are referred to as 2001 and 2002, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition.

Inventories

Inventories are carried at the lower of cost and replacement cost using the first-in, first-out method.

Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation is provided using the straight-line basis over the estimated useful lives of the related assets as follows:

Buildings	10 - 25 years
Equipment	3 - 12 years
Leasehold improvements	over the lease term including options where applicable

The Company assesses all long-lived assets, including property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the net carrying amount of an asset exceeds the net recoverable amount.

Warranty costs

A provision for the costs associated with providing services under warranty is recorded in the consolidated financial statements based upon historical relationships of warranty costs to revenues.

Use of estimates

Financial statements prepared in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions about reported assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Management must also make estimates and judgments about future results of operations related to specific elements of the business and operating units in assessing recoverability of assets and recorded values of liabilities. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of foreign currencies

All of the Company's foreign subsidiaries are classified as self-sustaining operations. The assets and liabilities of the foreign subsidiaries' operations are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the weighted average exchange rate for the year. Unrealized gains and losses on translation are segregated in the shareholders' equity section of the consolidated balance sheets as a cumulative translation adjustment. The change in the cumulative translation adjustment account reflects changes due to fluctuations in exchange rates during the year and gains or losses realized on the sale of foreign subsidiaries.

Foreign exchange gains or losses on long-term monetary liabilities are amortized to income over the term of the related liability.

Revenue recognition

(a) Retail operations
Revenues of company operated stores are recognized when customer vehicles are repaired or serviced or upon the sale of incidental products.

(b) Franchise revenue
Initial franchise fees for stores are recognized as revenue when the store has opened. Franchise revenues are from royalties, based on a percentage of gross sales as reported by the franchisees, or products purchased by the franchisees. These revenues are recognized on an accrual basis as they are earned.

Future income taxes

The Company follows the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized (note 9).

Earnings per share

Basic income (loss) per common share is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated in a manner similar to basic earnings per share, except the weighted average shares outstanding are increased to include potential common shares from the assumed exercise of options if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options.

Stock-based compensation

Effective December 30, 2001, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants ("CICA Handbook") Section 3870 ("Stock-based compensation and other stock-based payments"). Under these recommendations, where the fair value-based method of accounting has not been used to account for employee stock options, companies are required to disclose pro forma net income and pro forma earnings per share, as if the fair value-based method of accounting has been used to account for these stock-based awards. The Company has applied the pro forma disclosure provisions of the new standard to awards granted on or after January 1, 2002. In 2002, the Company did not grant any options and, thus, pro forma disclosures are not required.

(in thousands of Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior year figures

Certain balances in the prior year have been restated to conform with the presentation adopted in the current year.

3. DISCONTINUED OPERATIONS

(a) On February 22, 2002, the Company entered into agreements under which Tuffy Associates Corp. purchased substantially all of the Company's operating assets of the Car-X business ("the Car-X sale"). The sale was completed on July 7, 2002.

The total proceeds on the Car-X sale were US$28,000, of which US$18,500 was received in cash, US$9,000 of promissory notes were issued and US$500 of the proceeds will be held in escrow for two years to fund potential liabilities and will be accounted for if, and when, received by the Company. In addition the purchaser assumed approximately US$1,300 of operating liabilities.

The pre-tax gain on the sale is $14,358, less income tax expense of $5,874, which results in a net gain of $8,484.

(b) The results of discontinued operations (shown below) include the results of operations prior to the measurement date (February 22, 2002). The results of discontinued operations from the measurement date to the disposal date (July 7, 2002), have been included in the gain on sale of the Car-X operations. The net assets of discontinued operations as at December 28, 2002 include the remaining assets and liabilities, except for cash, future income taxes and worker's compensation liability.

Summarized financial information for discontinued operations is as follows:

	December 28, 2002	December 29, 2001
Revenues	$ 7,563	$57,405
(Loss) income before income taxes	(842)	207
Income tax (recovery) expense	(153)	1,547
Loss for the period	$ (689)	$(1,340)

(c) The Company received from the purchaser of the Car-X business $3,031 (US$2,000) for consulting services, which has been recognized as income during the year.

4. NOTES RECEIVABLE

Notes receivable of $14,112 (US$9,000) have been received as part of the proceeds related to the Car-X sale.

Notes receivable are comprised of:

US$3,000, interest bearing at U.S. prime plus 3% payable quarterly, with the principal due on July 7, 2007	$ 4,704
US$6,000, interest bearing at U.S. prime plus 2% payable quarterly, with US$1,000 principal payments due on the anniversary date of July 7 in each of the years 2006 to 2009, with the balance of US$2,000 due on July 7, 2010	9,408
	$ 14,112

(in thousands of Canadian dollars)

4. NOTES RECEIVABLE (Continued)

The Company received $461 (US$295) of interest in 2002 (2001 - $Nil). The notes are collateralized by the assets of the purchaser, Tuffy Associates Corp., and its subsidiary Car-X Associates Corp. The US$3,000 note is further collateralized by a guarantee of the parent, Tuffy Associates Corp.

5. PROPERTY, PLANT AND EQUIPMENT

	December 28, 2002	December 29, 2001
Property, plant and equipment consist of:		
Land	$ 9,071	$ 9,297
Buildings	17,193	17,450
Equipment	33,235	33,199
Leasehold improvements	5,010	4,682
	64,509	64,628
Less: Accumulated depreciation and amortization		
Buildings	6,390	5,740
Equipment	22,852	21,879
Leasehold improvements	3,565	3,402
	32,807	31,021
Net book value	$ 31,702	$ 33,607

6. OTHER ASSETS

	December 28, 2002	December 29, 2001
Other assets consist of:		
Pension asset	$ –	$ 417
Other	194	373
	$ 194	$ 790

7. BANKING FACILITY

The Company has a $10,000 renewable revolving term credit facility with its principal banker, with a maturity date of September 19, 2003. The facility is extendible for further terms of 364 days. The facility provides the Company the ability to repay and then borrow up to the maximum at any time. Availability under the credit facility is reduced by letters of credit. As of December 28, 2002, the availability under the credit facility was $5,919, net of letters of credit. Borrowings are secured by the Company's inventory and accounts receivable and certain properties. The availability of credit facility is based on a formula using inventory and accounts receivable. There were no outstanding borrowings under this facility at December 28, 2002 (2001 - $Nil).

8. CAPITAL STOCK

December 28,	December 29, 2002	2001
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
12,950,150 (2001 - 12,933,775) common shares	$ 55,186	$ 55,149

(in thousands of Canadian dollars)

8. CAPITAL STOCK (Continued)

The following changes to share capital took place during the year:

	December 28, 2002		December 29, 2001	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	12,933,775	$ 55,149	12,966,875	$ 55,221
Options exercised	16,375	37	–	–
Normal course issuer bid	–	–	(33,100)	(72)
Balance, end of year	12,950,150	$ 55,186	12,933,775	$ 55,149

A summary of status of the Company's fixed stock option plan (including stock appreciation rights) as at December 28, 2002 and December 29, 2001 and changes during the years ending on those dates is presented below.

	December 28, 2002		December 29, 2001	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding, beginning of year	1,540,250	$ 4.55	1,528,750	$ 4.74
Granted	–	–	99,000	1.70
Exercised	(16,375)	2.24	–	–
Forfeited	(73,375)	9.04	(87,500)	3.71
Outstanding, end of year	1,450,500	4.34	1,540,250	4.55
Options exercisable at year-end	1,267,125	$ 4.55	986,250	$ 4.93

The following table summarizes information about fixed stock options (including stock appreciation rights) outstanding at December 28, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at 12/28/02	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at 12/28/02	Weighted-average exercise price
$1.70	91,000	3.8 yrs	$ 1.70	56,500	$ 1.70
$3.20 to $4.25	902,500	1.9 yrs	3.29	754,875	3.31
$6.50 to $9.00	457,000	1.3 yrs	6.95	455,750	6.95
Total	1,450,500	1.8 yrs	$ 4.34	1,267,125	$ 4.55

On May 18, 2001, the Company announced its intention to conduct, on a discretionary basis, a normal course issuer bid. The bid permitted the Company to repurchase, for cancellation, up to 648,344 of its common shares, through the facilities of the Toronto Stock Exchange, representing up to 5% of the issued and outstanding shares. During the year ended December 29, 2001, 33,100 common shares were repurchased and cancelled at a cost of $72. The normal course issuer bid expired May 23, 2002.

The following table reconciles the basic weighted average number of common shares outstanding to the diluted weighted average of common shares outstanding:

	December 28, 2002	December 29, 2001
Weighted average number of common shares	12,942,460	12,955,210
Dilutive effect of options	208,080	–
Adjusted weighted average number of units outstanding - diluted	13,150,540	12,955,210

(in thousands of Canadian dollars)

9. INCOME TAXES

The provision for (recovery of) income taxes consists of the following:

	Year ended December 28, 2002	Year ended December 29, 2001
Current	$ (109)	$ 441
Future	882	(588)
	$ 773	$ (147)

The provision for (recovery of) income taxes represents an effective rate that differs from the expense or recovery that would be obtained by applying statutory rates to income or loss before income taxes as a result of the following:

	Year ended December 28, 2002	Year ended December 29, 2001
Recovery of income taxes based on Canadian statutory tax rate of 37.52% (2001 - 38.87%)	$ (754)	$ (448)
Unrecognized income tax benefits of losses and temporary differences	2,264	14
Future income tax (recovery) expense resulting from reduction in tax rate	(4)	571
Increase in valuation allowance	2,463	–
Capital loss carryforward recognized	(233)	–
U.S. non-capital loss carryforward recognized	(3,020)	–
Change in provision due to different statutory rates in foreign subsidiaries	166	(28)
Other, including payment of taxes relating to prior years	(109)	(256)
Provision for (recovery of) income taxes	$ 773	$ (147)

At December 28, 2002, the Canadian company has accumulated tax losses estimated at $29,900, which begin to expire in 2005. A valuation allowance on a portion of these losses has been provided.

The Company's U.S. subsidiaries have accumulated tax losses estimated at $5,400, which begin to expire in 2017. A valuation allowance on a portion of these losses has been provided.

The tax effects of the significant components of temporary differences giving rise to the Company's future income tax assets and liabilities are as follows:

	December 28, 2002		December 29, 2001	
Future income tax assets:	Current	Non-current	Current	Non-current
Non - deductible accruals	$ 555	$ 270	$1,616	$1,549
Income tax losses carried forward	315	6,661	351	8,809
Capital losses carried forward	233	–	–	–
Depreciable property, plant and equipment	–	894	–	–
Future income tax liabilities:				
Depreciable property, plant and equipment	–	–	–	(877)
Deductible prepaid expenses	(188)	–	(349)	–
Deferred gain on sale	–	(3,224)	–	–
Total	$ 915	$4,601	$1,618	$9,481

(in thousands of Canadian dollars)

10. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in non-cash working capital balances

	Year ended December 28, 2002	Year ended December 29, 2001
Increase in accounts and other receivables	$ (13)	$ (372)
Decrease (increase) in inventories	945	(1,339)
Decrease in prepaid expenses	280	196
Decrease in accounts payable and accrued liabilities	(187)	(4,508)
Increase (decrease) in income taxes payable	127	(547)
Change in non-cash working capital balances	$ 1,152	$(6,570)

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and with banks, and investments in money market instruments. Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	December 28, 2002	December 29, 2001
Cash on hand and with banks	$ 3,081	$ 9,712
Short-term investments	34,919	2,695
Total cash and cash equivalents	$ 38,000	$ 12,407

(c) Interest and income taxes paid

	Year ended December 28, 2002	Year ended December 29, 2001
Interest paid	$ 160	$ 80
Income taxes paid	$1,256	$1,027

11. COMMITMENTS

Supply agreement

Under the terms of a supply agreement, the Company has agreed to purchase certain specified minimum percentages of exhaust and ride control inventories until 2004 at competitive prices.

Operating lease obligations

Future minimum payments under operating leases for buildings and equipment are as follows:

	Lease payment obligations
2003	$ 3,615
2004	3,305
2005	3,023
2006	2,796
2007	2,583
Thereafter	15,713
	$ 31,035

(in thousands of Canadian dollars)

11. COMMITMENTS (Continued)

Letters of credit

Letters of credit of $4,081 (2001 - $4,204) were outstanding as at December 28, 2002.

12. FINANCIAL INSTRUMENTS

(a) Concentration of credit risk
The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable related to franchise operations. The Company performs periodic credit evaluations of its franchisees' financial condition.

(b) Fair value of financial instruments
The carrying values reported in the balance sheet for cash, accounts and other receivables, bank indebtedness and accounts payable and accrued liabilities approximate fair values due to the short maturity of those instruments. The carrying values of the notes receivable approximate fair value because the interest rates on these instruments change with market interest rates.

13. RELATED PARTY TRANSACTIONS

In 2002, $502 (2001 - $300) was incurred with a related party for management fees that were provided at market rates. Of the 2002 fees, $127 related to prior years fees were deferred.

14. SEGMENTED INFORMATION

The accounting policies of the segments are the same as those described in the "Summary of significant accounting policies". The Company evaluates the performance of its segments and allocates resources to them based on earnings before interest and taxes (operating income).

The Company's operations fall into two product classes; exhaust and non-exhaust. Operations are presented in three operating segments as listed below.

	Revenues	
	Year ended	
	December 28, 2002	December 29, 2001
Exhaust	$ 32,355	$ 37,590
Non-exhaust	63,586	63,737
Total	$ 95,941	$ 101,327

	Store network	
	Year ended	
	December 28, 2002	December 29, 2001
Company operated	129	132
Franchised	1	1
Korea - Licensed	6	–
Total	136	133

15. EMPLOYEE BENEFIT PLANS

The Company sponsors a registered defined contribution pension plan for eligible employees in Canada. Under the plan, contributions are made by plan members, with varying contributions from the Company. As a result of converting the Company's defined pension plan to a defined contribution plan and settling it in 2000, a pension surplus was recognized. The pension surplus is being used to fund the Company's contributions required under the defined contribution plan. During the year, the Company expensed $491 (2001 - $492) of the pension surplus, which represented the Company's contributions as at December 28, 2002 and a pension asset of $468 (2001 - $959) remains in prepaid and other expenses.

16. ESCROW AGREEMENT

On September 17, 1998, the Company completed the sale of its stores operating under the Speedy brand in the United States for gross cash proceeds of US$52,000 and the assumption of approximately US$5,000 in operating liabilities. US$2,000 of the proceeds were placed in escrow for three years to fund potential liabilities as outlined in the agreement. The Company received US$1,810 of the escrow in 2001 and recorded related charges and accruals of US$367.

17. CONTINGENCIES

During the normal course of business, various proceedings and claims are instituted against the Company. The Company contests the validity of these claims and proceedings and management believes that any settlement will not have a material effect on the financial condition or future results of operation of the Company.

DIRECTORS AND OFFICERS
as of December 28, 2002

Name and Municipality of Residence	Position with the Company	Principal Occupation
Martin Goldfarb, O.C.[1][3] Toronto, Ontario	Chairman of the Board and a Director	Chairman, Chief Executive Officer and President, The Goldfarb Corporation
Bryan H. Held, F.C.A.[1] Brampton, Ontario	President and Chief Executive Officer and a Director	Officer of Speedy
Thomas Axworthy[3] Toronto, Ontario	Director	Executive Director Historica Foundation of Canada
Marshall A. Cohen, O.C., Q.C.[2] Toronto, Ontario	Director	Counsel, Cassels Brock & Blackwell LLP Barristers & Solicitors
Alonna Goldfarb Toronto, Ontario	Secretary and a Director	Principal, Goldfarb Intelligence Marketing
Stanley Goldfarb, F.C.A.[1][2][3] Toronto, Ontario	Director	Chief Executive Officer Goldfarb Management Services Ltd.
H. Clifford Hatch, Jr.[2] Toronto, Ontario	Director	President, Cliffco Investments Limited
Allen Karp, Q.C.[2] Toronto, Ontario	Director	Chairman, Cineplex Odeon Corporation
The Honourable David Peterson, P.C., Q.C.[3] LLP Toronto, Ontario	Director	Chairman, Cassels Brock & Blackwell Barristers & Solicitors
Mary Jane Allen Mississauga, Ontario	Chief Financial Officer	Officer of Speedy
Sheldon L. Meslin, P. Eng. Toronto, Ontario	Vice-President Purchasing & Supply Management	Officer of Speedy
David H. Middleton Oakville, Ontario	Vice-President Marketing	Officer of Speedy

Notes:

(1) Member of the Executive Committee

(2) Member of the Audit Committee

(3) Member of the Compensation Committee

SHAREHOLDER INFORMATION

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SPEEDY AUTO SERVICE WEB SITE

Speedy Auto Service is listed on the Internet at **www.speedy.com**. You can locate the store closest to your home or place of business and view current promotions by entering your postal code. You can also obtain a cyber-coupon on line; simply complete the information requested and submit. The Speedy cyber-coupon will be sent to you via e-mail.

On the web site, you can find the history of the Company as well as information on promotions, services, maintaining your car and the brands Speedy Auto Service offer.

As a driver of a car, light truck or SUV, it is important to have a basic understanding of how your automobile functions and its service and maintenance needs. It is beneficial to be able to recognize potential problems before they lead to breakdowns that can result in expensive repairs. Understanding how your vehicle works can also help you to deal more effectively with our professional technicians. The Speedy Auto Service web site provides extensive information on products, as well as early warning signs of possible problems.

Information on Speedy Auto Service maintenance packages is easily accessible on the web site. It is important to establish a regular preventive maintenance program for your vehicle, whether it is new and under warranty or no longer covered by a warranty program.

The web site also provides you with access to Company news releases through a link to Canada Newswire.

Speedy Auto Service offers brand name quality products, outstanding service and outstanding value.

AT SPEEDY YOU'RE A SOMEBODY

www.speedy.com